



INVESTIGATIONS

QUARTERLY

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Two Men Arrested in Los Angeles–Area Recycling Fraud Case

The Department of Justice (DOJ) in Southern California has arrested two men for alleged recycling fraud involving \$6 million worth of ineligible bottles and cans. Two other suspects in the case remain at large.

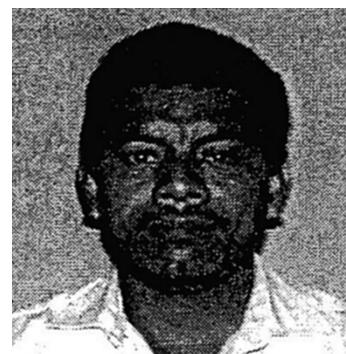
Santos Saenz, 38 and Jose F. "Freddie" De Luna, 23, were arrested and are being held on charges of recycling fraud, grand theft, and filing false or forged documents involving the California Beverage Container Recycling Program, administered by the California Department of Conservation (DOC). The DOC Investigations Branch built the case for the charges and arrests. The Environmental Crimes Unit of the DOJ California Bureau of Investigation made the arrests and served search warrants on eight locations. The two attorneys general dedicated to the beverage container program will be prosecuting the individuals arrested.

The arrests culminate an investigation that began in 2002. The scheme involved Alameda Metals, a recycling center owned by D. Robert Schwartz and run by Santos Saenz, and associates Jose F. De Luna and his father, Jose De Luna. The alleged fraud was accomplished in two ways: First, ineligible containers transported from outside California were brought to Alameda Metals and then transferred to a certified processor, for payment of California Redemption Value (CRV). In addition, previously redeemed or "canceled" material from different sources was brought to Alameda Metals and was immediately transferred to the processor for a second, illegal CRV reimbursement.

Saenz, 38, was arrested and is being held at the Los Angeles County Jail on \$5 million bail. Jose F. "Freddie" De Luna, 23 was arrested in Desert Hot Springs and is being held at the Riverside County Jail in Indio on \$5 million bail. His father, Jose De Luna, and D. Robert Schwartz both remain fugitives from justice. They were charged with four felony counts of grand theft, recycling fraud and conspiracy. Agents also seized more than \$50,000 in cash, two handguns, numerous semi-trucks, trailers, personal vehicles, roll-off trucks and out-of-state materials.



Jose F. "Freddie" De Luna



Santos Saenz

Recycling Fraud

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All four have been indicted by the Los Angeles County Grand Jury on the counts cited above. Saenz previously owned a recycling center that was decertified by the DOC in 1995 for noncompliance with regulations. The younger De Luna is currently on felony probation for recycling fraud convictions in 2002. All of the assets of the four suspects have been frozen and are being held under state asset seizure laws.

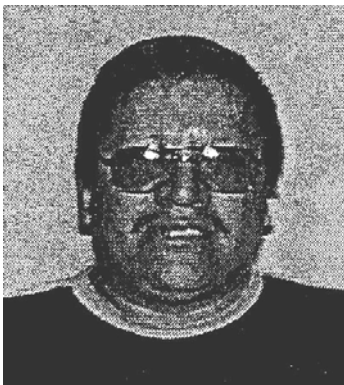
The DOC provides funding for the DOJ Environmental Crimes Unit enforcement efforts. DOC auditors and enforcement staff work closely with law enforcement organizations in recycling fraud cases.

This is the fourth major recycling fraud enforcement action conducted by the DOJ Environmental Crimes Unit. Other participants in the investigation included additional DOJ units, the Los Angeles County Sheriff's Department, the Hawthorne Police Department, and the Department of Homeland Security, Immigration and Customs Enforcement.

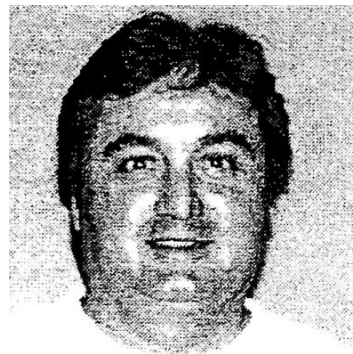
The DOC Investigations Branch and the DOJ Environmental Crimes Unit are working on additional fraud cases and more arrests are expected in the next few months. The suspects arrested for recycling fraud are subject to extensive prison terms and the loss of assets.

If you have any information on people potentially perpetrating fraud against the program please call the Fraud Tip Hotline at 1-866-226-5623.

If you have information on the whereabouts of Mr. Jose De Luna or Mr. D. Robert Schwartz (pictured below), please call the Division Investigations Office at 1-866-226-5623.



Jose Claro De Luna, Age 35



Dana Robert Schwartz, Age 37

Active Recycling Guilty of Fraud Facilities Shut Down

On March 21, 2006, Errol Segal of Active Recycling and seven other individuals pleaded guilty to felony fraud for paying CRV on out-of-state containers. The Office of the US Attorney General prosecuted the case. Mr. Segal faces up to 20 years in federal prison and Active Recycling could have to pay up to \$2.5 million in restitution and penalties to the DOC.

Active surrendered its certifications (Active RC0097, RC0099, RC0100, PR0067; Worldwide PR) and will not be allowed to participate in the Beverage Container Recycling Program in any way in the future. All of Active's beverage container recycling operations have been closed by the Department and are no longer in operation.

The sentencing phase of the legal action against Active will be held in the Los Angeles Superior Court on July 19, 2006.

Masters California Decertified

Masters California Processing (PR) in El Monte has been decertified by the Department of Conservation in a plea agreement stemming from the conviction of its operator William Nazaroff Jr. on recycling fraud charges. This is the second processing facility closed this year due to recycling fraud. A number of the 22 defendants prosecuted by the Los Angeles District Attorney this year were involved with the Masters California fraud scheme.

2005 Enforcement Recap

In calendar year 2005, the Division of Recycling revoked the certifications of 27 recycling centers. These revocations have resulted in the elimination of \$11 million in fraud from the program. In addition, 22 individuals were arrested and 21 of them have now plead guilty to recycling fraud. One defendant has chosen not to settle her criminal case and will be prosecuted in a court of law.

As mentioned in the most recent issue of Investigations Quarterly, the DOR greatly appreciates the assistance it has received from recyclers and the public in fighting and prosecuting fraud. Some of the best leads have come from the recycling industry and the public. Persons operating outside of the law hurt the business of honest recyclers and hurt the program. Your assistance goes a long way toward the goal of eliminating fraud from the program.

